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America's Biggest Publishers Keep Posting Profits

By Jim Milliot | Apr 01, 2022

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The second year of a global pandemic was not enough to stop the country's four largest trade publishers from posting impressive gains in earnings in 2021 over 2020. The largest gain came at Simon & Schuster, whose operating income soared 51.1% in the year. Lagardère publishing, parent company of Hachette Book Group, saw recurring EBIT jump 42.7%, while HarperCollins had a 15.5% increase in EBITDA.

Penguin Random House's operating EBITDA increased 9.2%, on a 6% rise in revenue. Global revenue at PRH increased to €4 billion, and earnings were €755 million, parent company Bertelsmann reported. The company's margin improved to 18.7%, from 18.2% in 2020. The U.S. accounted for 56.5% of total revenue (about \$2.51 billion at the current exchange rate), down from 58.6% in 2020.

Bertelsmann limited its comments on the pending purchase of Simon & Schuster to noting that a decision in the trial with the Department of Justice, which is challenging the acquisition, is expected later this year. In his annual letter, global PRH CEO Markus Dohle said PRH outperformed the markets in Brazil, Canada, India, and South Africa, adding that "our Spanish-language territories, and our global DK business, delivered a standout year through growth in online sales and its rich backlist." He attributed the worldwide financial gains to a rebound in sales at physical bookstores, while noting the continued shift to online sales—which, he said, led to an increase in backlist sales.

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In his letter, Dohle wrote that PRH "will mobilize around these developments to realize our 2022 ambitions," which include achieving "organic growth through excellence in content and reach." He promised that PRH will invest in authors and stories and "double down on addressing consumer needs in publishing's ever-changing marketplace."

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The 1619 Project, and *Go Tell the Bees That I Am Gone* by Diana Gabaldon also had high sales.

Bertelsmann noted that, across its entire book group, it continued its investments in distribution and fulfillment logistics in 2021, which enabled PRH “to meet rising demand for its titles despite significant pandemic-related production and delivery bottlenecks.” The company said it also gathered more consumer data “in order to expand its direct-to-consumer marketing.”

Though HC’s revenue was up 17.8% last year, its margin slipped from 15.2% to 14.9%. HC reported slower earnings growth in the fourth quarter of 2021, due to what parent company News Corp said was an “increase in manufacturing and freight costs exacerbated by supply chain pressures.” In the calendar year, helped by the addition of the Houghton Mifflin Harcourt trade group, revenue topped \$2.1 billion. (News Corp operates on a fiscal year ending June 30, and HC’s sales in fiscal 2021 were just under \$2 billion.)

At Lagardère Publishing, revenue was €2.6 billion (\$2.9 billion at the current exchange rate), and recurring EBIT was €351 million (almost \$400 million)—a jump of 42.7%. Excluding one-time items, such as \$27 million from the purchase of Workman Publishing, sales rose 8.1%. Sales and profits were both records, Lagardère said. In the U.S., sales at HBG rose 3.7%, excluding the contribution from Workman.

HBG CEO Michael Pietsch said the publisher’s results were bolstered by good sales growth at physical stores as well as at its international accounts. He added that results were further boosted “by high sell-through, a significant increase in hardcover sales in our adult divisions, exciting growth for Running Press’s Minis program, and an excellent year for our distribution business.” The U.S. and Canada accounted for 28% of Lagardère’s sales, down from 29% in 2020.

Lagardère’s financial outlook for 2022 is cautious, with revenue expected to be flat—even with the addition of Workman. The company based the forecast on its belief that as lockdowns ease, people will resume a variety of activities, which could cut into reading time and book buying. Earnings are expected to decline from 2021 due to “less favorable market trends,” including “inflationary pressure on costs.” As a result, Lagardère projects that its margin will fall to about 11%.

With solid sales throughout much of the year, revenue at Simon & Schuster rose 10% over 2020 to just under \$1 billion, while operating income jumped 52%, to \$213 million. “It was an extraordinary year for all of our groups,” CEO Jonathan Karp told *PW*. The two fastest-growing divisions were the company’s distribution group, where sales jumped 50%, and its international unit, which had a 25% increase. Both divisions benefited from strong sales of manga; S&S is the worldwide distributor for Viz Media, and the graphic novel publisher had 49 titles reach *PW*’s trade paperback bestseller list in 2021.

S&S’s adult group saw a 4% sales increase, led by its Atria publishing group, which is home to TikTok sensations Colleen Hoover and Taylor Jenkins Reid. Sales in the children’s group increased 7%. Total digital sales were flat, as a 9% decline in e-book sales was offset by a 11% increase in audiobook sales.

Karp said S&S has done a good job in keeping costs under control, and noted that significantly lower returns contributed to the big earnings gain. As a result, S&S’s margin jumped to 21.4%, from 15.6% in 2020.

Last year, organic growth rose by 0.3% at PRH, Bertelsmann said, offsetting a decline of 1.8% due to unfavorable currency translations. PRH’s distribution business contributed 3.2% of worldwide revenue in 2021.

In its annual report, Bertelsmann touched on some overall publishing achievements in 2021. Penguin Random House US, Bertelsmann said, “enjoyed a successful publishing and business year.” The division’s biggest bestseller was *Atomic Habits* by James Clear, which was published in 2018, while new releases such as *The Judge’s List* by John Grisham,



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- 5 Summer I Turned Pretty (Reprint) (Reprint)**
Jenny Han, Author

Operating Performance, 2020–2021

(\$ and € in millions)

HarperCollins

	2020	2021	Change
Total Sales	\$1,821.0	\$2,146.0	17.8%
EBITDA	\$277.0	\$320.0	15.5%
Margin	15.2%	14.9%	–

Lagardère

	2020	2021	Change
Total Sales	€2,375.0	€2,598.0	9.4%
Recurring EBIT	€246.0	€351.0	42.7%
Margin	10.3%	13.5%	—

Penguin Random House

	2020	2021	Change
Total Sales	€3,802.0	€4,030.0	6.0%
Operating EBIT	€691.0	€755.0	9.2%
Margin	18.2%	18.7%	—

Simon & Schuster

	2020	2021	Change
Total Sales	\$901.0	\$993.0	10.2%
Operating Income	\$141.0	\$213.0	51.1%
Margin	15.6%	21.4%	—

SOURCE: COMPANY REPORTS, PUBLISHERS WEEKLY

A version of this article appeared in the 04/04/2022 issue of *Publishers Weekly* under the headline: Profitably Publishing**ALSO ON PW**PW's 150th
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